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NEW DAVIES PETROLEUMS
LIMITED

Annual Report

FOR THE YEAR ENDED
JUNE 30, 1967



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New Davies Petroleums Limited

EXECUTIVE OFFICES: SUITE 714, 62 RICHMOND STREET WEST, TORONTO 1, ONTARIO - TELEPHONE 366-2886

HEAD OFFICE: SUITE 444, 330 - NINTH AVENUE S.W., CALGARY. ALBERTA

INTERIM PROGRESS REPORT

To the shareholders:

Your directors are pleased to report the acquisition of 75% in approximately 5,750 acres near Strontian, Scotland. The ground involved embraces the full known length of what is called the Corrantee Vein, which has been traced for 2,400 ft. This zinc-lead-silver-barytes deposit has been subjected to limited development in the past, but has never been drilled to develop a detailed picture of its ore potential.

It is your company's intention to carry out a preliminary program at cost of about \$35,000 in order to assess possibilities for a full-scale development program.

The vein structure was actually mined by open cast methods and from underground on one level in the years up to and including 1871, with the one level being carried into a slope-side for 760 ft. down to a maximum depth of 150 ft.

Sampling of the walls of the level and of old stopes was documented in 1950, with this work confirming encouraging mineral values. The computed average of sampling every three feet for a continuous length of 140 ft. is shown in the following table:

<u>Length</u> <u>Ft.</u>	<u>Zinc</u> <u>%</u>	<u>Lead</u> <u>%</u>	<u>Silver</u> <u>Ozs.</u>	<u>Barytes</u> <u>%</u>
40	1.87	0.50	1.65	18.89
60	5.85	5.37	1.88	2.40
40	4.47	2.80	2.22	2.03

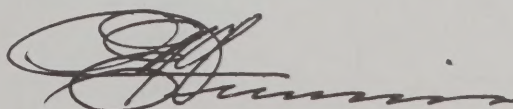
Aside from the encouraging base and metals values, your attention is drawn to the barytes content--examination of a possible market for barytes, an industrial mineral, in the immediate region has been distinctly promising. Specifically, it has been suggested that local supplies of barytes might be employed by the Scottish timber industry to produce wall material of improved acoustic insulation. It has been indicated that the Highland Development Board and the Building Research Station at Glasgow might assist in further investigation of this possibility.

The Corantee Vein is distinct from the Whitesmith Vein, which was the target for extensive exploration done by your company first, and then by Consolidated Goldfields under an agreement with your company. The Corantee lies about two miles west of the Whitesmith, and by its commitment to carry out a preliminary drilling program, your company obtains a 75% interest in the 5,750-acre block covering the Corantee Vein, plus a 50% interest in an additional 27,450 acres which embrace other vein structures.

Six drill holes totalling nearly 3,000 ft. have been laid out for the initial program, with work to start as early as possible. The holes are spaced roughly 500 to 600 ft apart and, should they be successful, would require close-spaced follow-up drilling.

At the same time, your company is calling for tenders to carry out line cutting and a magnetometer survey on 25 claims staked in Ottaway Township in the Timmins area of Ontario. This work should be in progress shortly.

Submitted on behalf of the board of directors,



E. F. Furniss, President

July 20, 1967.

NEW DAVIES PETROLEUMS LIMITED

62 RICHMOND ST. WEST

TORONTO 1, ONTARIO

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by Management of proxies to be voted at the Annual General Meeting of the Shareholders of New Davies Petroleum Limited to be held December 29th, 1967. Proxies may also be solicited by Directors and/or Officers of the Company at nominal cost. The Company will bear the cost of solicitation of proxies.

ELECTION OF DIRECTORS

The Board consists of six directors and the following are Management's nominees for election to the Board with information concerning same:—

Name of Directors	Principal Occupation or Employment during past five years and organization in which such employment is carried on	Director since	Shares owned beneficially at December 8th, 1967
Bruce A. Blackburn.....	Director. Insurance Executive and editor of Life Underwriters News.	1964	ONE*
Robert Brown.....	Vice-President and Director. Corporate Secretary, self-employed	1963	ONE
Murray Cooper.....	Director. Mining Executive, self-employed	1964	ONE
E. Franklin Furniss.....	President and Director. Owner of Corporate Services, a Proprietorship providing secretarial services.	1961	ONE
Victor H. Hedges.....	Secretary-Treasurer and Director. Security Company Executive of Warwood & Hedges Security Service	1965	ONE
Samuel Young.....	Director. Real Estate Broker, sole owner of Leader Real Estate Limited	1964	ONE

*Represents Director's qualifying share.

The term of office of each Director elected will be from the date of the meeting at which he is elected until the Annual Meeting next following or until his successor is elected or appointed.

Proxies received pursuant to this solicitation will be voted for the election of the above named nominees. If for any reason any such nominee should not be available for election, such Proxy will be voted in favour of the remaining nominees and may be voted for a substitute nominee in the place of those who are not candidates. The Management has no reason to believe that any of these nominees will fail to be candidates at the Meeting and does not at this time have any substitute for any such nominees.

REMUNERATION OF MANAGEMENT

During the fiscal year ending June 30th, 1967 the aggregate direct remuneration paid by the Company to its Directors and Senior Officers was \$7,225. which includes payment to Corporate Services, a sole proprietorship providing secretarial services, owned by the president of the Company.

APPOINTMENT OF AUDITORS

It is intended to vote the Proxy to re-appoint Messrs. Fisher, Nisker & Co., Chartered Accountants, the present auditors, as auditors of the Company to hold office until the next Annual Meeting of Shareholders and to authorize the Directors to fix their remuneration.

**REPORT OF DIRECTORS AND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30th, 1967**

It is intended to use the Proxy for the purposes of voting upon the Report of the Directors and the financial statements and auditors' report thereon referred to in the enclosed Notice of Meeting.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

The Management knows of no matters to come before the Annual General Meeting of Shareholders other than as set forth in the Notice of Meeting. However, if other matters which are not known to the Management should properly come before the Meeting the accompanying Proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the Proxy.

GENERAL

Proxies in the form enclosed which are properly executed, returned to the Management and not revoked, will be voted at such Meeting in accordance with the authority contained therein and with respect to matters set forth in the Notice of Meeting. Any such Proxy may be revoked at any time before it is exercised. A Shareholder attending the meeting has the right to vote in person and if he does so, the vote of his proxy is a nullity. A Shareholder who has given a proxy may revoke it either by signing a proxy bearing a later date and delivering it in accordance with the printed instruction aforementioned; or as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy by signing a written notice of revocation and by delivering it to the Company or an agent thereof prior to the meeting or by handing it to the Chairman at the meeting. Each Shareholder is entitled to one vote for each share held of record at the time of the meeting. The Company has outstanding 3,513,937 shares of its capital stock.

NEW DAVIES PETROLEUMS LIMITED

Incorporated under the laws of the Province of Alberta

HEAD OFFICE

330 - 9TH AVENUE S.W., CALGARY, ALBERTA

EXECUTIVE OFFICE

62 RICHMOND ST. W., TORONTO, ONTARIO

OFFICERS

E. FRANKLIN FURNISS - - - - - President

ROBERT BROWN - - - - - Vice-President

VICTOR H. HEDGES - - - - - Secretary-Treasurer

DIRECTORS

E. FRANKLIN FURNISS

ROBERT BROWN

VICTOR H. HEDGES

MURRAY COOPER

SAMUEL YOUNG

BRUCE A. BLACKBURN

TRANSFER AGENTS & REGISTRAR

GUARANTY TRUST CO. OF CANADA - Calgary, Alberta
& Toronto, Ontario

AUDITORS

FISHER, NISKER & COMPANY - - - - - Toronto

SHARES LISTED

TORONTO STOCK EXCHANGE

CANADIAN STOCK EXCHANGE

CALGARY STOCK EXCHANGE

VANCOUVER STOCK EXCHANGE

DIRECTORS' REPORT

To The Shareholders,

NEW DAVIES PETROLEUMS LIMITED:

Your directors submit herewith the Auditors Report, Balance Sheet, Statement of Source and Application of Funds and related Financial Statements for the fiscal year ended June 30, 1967.

During the year, your company either conducted on its sole account or shared with others a number of exploration projects, brief comments on which follow.

Scotland

As shareholders were advised in earlier Interim Reports, a 75% interest was acquired in a block of 5,170 acres in the Strontian district of Scotland. The area embraced full coverage of what is known as the Corantee vein structure which, in a sequence of developments extending back into the previous century, was partially developed by both underground and open cast methods.

Your company has now completed a series of six widely spaced exploratory drill holes, designed to evaluate exploration chances along strike from known sections of zinc, lead, silver and barytes values. In the current program some narrow sections containing high values in lead and zinc have been obtained. Currently, the overall situation is being studied and reviewed before arriving at any firm plans for the future.

Coincidental with your Company's acquisition of the aforementioned 75% interest in the Corantee vein, a 50% interest was also acquired in 27,030 acres of additional land at Strontian, which will receive consideration for an exploration programme in 1968.

Johan-Beetz Area, Quebec

Following the emergence of the Johan-Beetz area in the North Shore district of Quebec as a centre for major uranium exploration activity, your company acquired a group of 24 claims in Courtemanche Township at staking costs. Subsequent to this, arrangements were made for airborne scintillation count survey data. At the time of writing, a report and interpretation of this data are being awaited and future plans will be based upon this.

Other Areas

Geophysical surveys were conducted on ground in the Noranda area of Quebec and in Ottawa Township in the Timmins area of Northern Ontario. On the Noranda claims, the geophysics proved inconclusive and the ground, held under option, was dropped. In Ottawa Township, results were not deemed sufficiently encouraging as to warrant immediate follow-up work and the project will be held in abeyance for the time being.

General

While modest revenue was obtained from your company's oil interests in Western Canada, operating expenses and royalties led to a nominal loss on this account. Generally speaking, your company concluded the year with adequate financial resources to allow it to continue its policy of pursuing basic exploration work.

The Annual Meeting of Shareholders will be held in Toronto on Friday, December 29th, 1967 at the time and place shown in the accompanying Notice of Meeting. If in the event you are unable to attend, you are requested to sign and return the enclosed proxy form in order to ensure your representation at the meeting.

Submitted on Behalf of the Board of Directors,

E. F. FURNISS,
President

Toronto, Ontario, December 8, 1967.

NEW DAVIES PETROLEUMS LIMITED

(Incorporated under the laws of the Province of Alberta)

BALANCE SHEET AS AT JUNE 30, 1967

(With comparative figures as at June 30, 1966)

ASSETS		1967	1966
Current assets			
Cash.....	\$	40,910.47	\$ 6,050.37
Deposit receipt.....		10,614.00	10,000.00
Miscellaneous receivables and advances.....		2,302.95	4,563.69
Marketable securities, at cost (Note 1).....		17,020.00	54,717.50
	\$	70,847.42	\$ 75,331.56
Capital assets			
Interest in petroleum and natural gas leases and producing wells — acquired from predecessor company (Notes 2 and 3).....	\$	37,136.17	\$ 37,136.17
Production equipment, at cost (Note 3).....		6,791.18	6,504.80
Interest in option on mining claims.....		—	27,000.00
Exploration license in Scotland at valuation attributed to 100,000 shares of capital stock issued therefor plus \$125,000 paid in cash (Note 4).....		142,500.00	142,500.00
Unpatented mining claims in Ontario, at cost.....		1,437.50	—
Furniture and equipment, at cost less \$406.16 accumulated deprecia- tion.....		803.78	559.90
Royalties, at nominal value.....		2.00	2.00
	\$	188,670.63	\$ 213,702.87
Deferred expenditures			
Mine exploration, per statement.....	\$	124,252.93	\$ 138,571.08
Organization cost.....		10,355.52	10,355.52
	\$	134,608.45	\$ 148,926.60
	\$	394,126.50	\$ 437,961.03
LIABILITIES		1967	1966
Current liabilities			
Accounts payable.....	\$	7,303.65	\$ 9,718.01
Capital and deficit			
Capital stock			
Authorized:			
4,000,000 shares without par value			
Issued and fully paid:			
3,513,937 shares.....		\$1,469,468.50	\$1,469,468.50
Deficit, per statement.....		1,082,645.65	1,041,225.48
	\$	386,822.85	\$ 428,243.02
	\$	394,126.50	\$ 437,961.03

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors:

E. F. FURNISS, Director

V. H. HEDGES, Director

NEW DAVIES PETROLEUMS LIMITED

STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED JUNE 30, 1967

(With comparative figures for the year ended June 30, 1966)

	1967	1966
Revenue		
Production from wells.....	\$ 4,428.73	\$ 4,204.40
Deduct — royalties.....	\$ 710.64	\$ 664.71
— operating expenses.....	4,646.49	1,870.79
	\$ 5,357.13	\$ 2,535.50
	(\$ 928.40)	\$ 1,668.90
Expense recovery out of production.....	—	1,088.95
Profit or (loss) from production (before depletion, amortization and depreciation — Note 3).....	(\$ 928.40)	\$ 2,757.85
Administrative and general expenditures		
Accounting and secretarial services.....	\$ 4,800.00	\$ 4,050.00
Management fees.....	900.00	900.00
Share issue and transfer expenses.....	2,167.80	2,323.59
Directors' and officers' fees and remuneration.....	2,425.00	2,275.00
Legal and audit fees.....	1,266.00	2,660.56
Shareholders meeting and information.....	840.04	944.32
Stock exchange fees and expenses.....	150.00	833.16
Telephone and telegraph.....	108.94	658.30
Engineering fees and expenses.....	270.50	—
Depreciation — office furniture and equipment.....	63.34	91.59
General office expenses.....	312.45	524.01
	\$ 13,304.07	\$ 15,260.53
Less — portion transferred to deferred mine exploration.....	3,653.98	7,800.56
	\$ 9,650.09	\$ 7,459.97
Net loss before sundry income	(\$ 10,578.49)	(\$ 4,702.12)
Deduct — interest and dividend income.....	2,224.00	2,778.93
Net loss for the year	(\$ 8,354.49)	(\$ 1,923.19)
Add — mining claims and interest in option abandoned.....	\$ 27,000.00	\$ 101,767.50
— exploration and administrative expenditures attributed to mining claims and interest in option abandoned.....	16,221.08	17,652.49
	\$ 43,221.08	\$ 119,419.99
Less — profit from sales of securities.....	10,155.40	6,429.42
	\$ 33,065.68	\$ 112,990.57
	\$ 41,420.17	\$ 114,913.76
Deficit at beginning of year	1,041,225.48	926,311.72
Deficit at end of year	\$1,082,645.65	\$1,041,225.48

NEW DAVIES PETROLEUMS LIMITED

DEFERRED MINE EXPLORATION EXPENDITURES FOR THE YEAR ENDED JUNE 30, 1967 (With comparative figures for the year ended June 30, 1966)

	1967	1966
Pine Point Area, N.W.T.		
Line cutting	\$ —	\$ 5,183.05
Geophysical survey	—	3,520.50
Engineering fees and expenses	135.08	850.00
Government fees	—	60.00
	<u>\$ 135.08</u>	<u>\$ 9,613.55</u>
County of Argyle, Scotland		
Engineering fees and expenses	\$ 519.70	\$ —
Travel and accommodation	386.44	—
Depreciation of equipment	57.66	—
Administrative travelling	—	3,881.40
Miscellaneous	362.57	—
	<u>\$ 1,326.37</u>	<u>\$ 3,881.40</u>
Other properties		
Engineering fees and expenses	\$ 308.00	\$ —
Miscellaneous	—	519.19
	<u>\$ 308.00</u>	<u>\$ 519.19</u>
	<u>\$ 1,769.45</u>	<u>\$ 14,014.14</u>
Administrative and general expenditures apportioned to mine exploration	3,653.98	7,800.56
	<u>\$ 5,423.43</u>	<u>\$ 21,814.70</u>
Total expenditures for the year		
	<u>\$ 5,423.43</u>	<u>\$ 21,814.70</u>
Balance deferred at beginning of year	\$138,571.08	\$134,408.87
Less — recovery of cost of geophysical survey on Pine Point, N.W.T. claims	3,520.50	—
	<u>\$135,050.58</u>	<u>\$134,408.87</u>
Deduct — expenditures on mining claims and interest in option abandoned:		
Exploration	\$ 6,228.13	\$ 17,152.49
Administrative and general	9,992.95	500.00
	<u>\$ 16,221.08</u>	<u>\$ 17,652.49</u>
	<u>\$118,829.50</u>	<u>\$116,756.38</u>
Balance deferred at end of year	<u>\$124,252.93</u>	<u>\$138,571.08</u>
Summary of deferred expenditures		
Exploration:		
County of Argyle, Scotland	\$ 99,467.61	\$ 98,141.24
Pine Point, N.W.T.	—	9,613.55
Ottaway Township, Ontario	308.00	—
	<u>\$ 99,775.61</u>	<u>\$107,754.79</u>
Administrative and general	24,477.32	30,816.29
	<u>\$124,252.93</u>	<u>\$138,571.08</u>

NEW DAVIES PETROLEUMS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JUNE 30, 1967 (With comparative figures for the year ended June 30, 1966)

	1967	1966
Source of funds		
Profit on sale of securities	\$10,155.40	\$ 6,429.42
Recovery of cost of geophysical survey incurred in 1966.....	3,520.50	—
Proceeds from sale of equipment.....	282.22	—
	<u>\$ 13,958.12</u>	<u>\$ 6,429.42</u>
Application of funds		
Net loss for the year, per statement.....	\$ 8,354.49	\$ 1,923.19
Acquisition of interest in option to purchase mining claims.....	—	27,000.00
Purchase of equipment.....	862.93	2,040.96
Purchase of mining claims.....	1,437.50	—
Mine exploration expenditures, per statement.....	5,423.43	21,814.70
	<u>\$ 16,078.35</u>	<u>\$ 52,778.85</u>
Deduct — expenditures not requiring an outlay of funds during period.....	50.45	91.59
	<u>\$ 16,027.90</u>	<u>\$ 52,687.26</u>
Decrease in working capital	(\$ 2,069.78)	(\$ 46,257.84)
Working capital at beginning of year	<u>65,613.55</u>	<u>111,871.39</u>
Working capital at end of year	<u><u>\$ 63,543.77</u></u>	<u><u>\$ 65,613.55</u></u>
Represented by:		
Current assets.....	\$ 70,847.42	\$ 75,331.56
Current liabilities.....	7,303.65	9,718.01
	<u><u>\$ 63,543.77</u></u>	<u><u>\$ 65,613.55</u></u>

NEW DAVIES PETROLEUMS LIMITED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1967

Note 1 — Marketable securities

	1967		1966
	Cost	Market Value	Cost
Shares of affiliated company	\$ 2,150.00	\$ 3,117.50	\$11,500.00
Other shares	14,870.00	13,050.00	43,217.50
	<u>\$17,020.00</u>	<u>\$16,167.50</u>	<u>\$54,717.50</u>

Note 2 — Interest in petroleum and natural gas leases and producing wells

By an agreement dated June 2, 1952 the company acquired all the assets and undertakings of Davies Petroleum Limited (non-personal liability) for a consideration of 1,849,994 shares of the company's capital stock. The assets acquired from this predecessor company and still owned by the company are carried at valuations determined by the management at time of acquisition except for two producing leases which were subsequently written down to a nominal value of \$2.00.

Note 3 — Depletion, amortization and depreciation

No provision has been made by the company for depletion of producing leases, amortization of producing well costs and depreciation of equipment since it acquired these assets. The necessary information to determine the amounts to be provided for is not available.

Note 4 — Exploration license in Scotland

(a) The company and Scottish Canadian Highland Development & Exploration Limited had entered into a development agreement with Consolidated Gold Fields Limited for the exploration and development for minerals of certain lands in Scotland held by New Davies and Scottish Canadian under exploratory license. The portion thereof held by the company comprised some 1,380 acres and the remaining portion held by Scottish Canadian comprised some 32,200 adjoining acres.

After expending approximately \$156,000.00 on the said lands, Consolidated Gold Fields Limited terminated the agreement as they were unsuccessful in obtaining financial assistance from the Government of Scotland.

(b) By an agreement dated May 12, 1967, the company acquired the right to earn a 75% interest in approximately 5,170 acres, and a 50% interest in the remaining 27,030 acres of the 32,200 acres of mining lands held by Scottish Canadian Highland Development & Exploration Limited as mentioned in Note 4(a) above.

In order to earn the aforementioned interests, New Davies is committed to undertake a diamond drilling program on the said 5,170 acres, calling for a series of six drill holes totalling some 3,000 feet. The total cost of this program is estimated at a maximum of \$35,000.00.

Note 5 — Transaction subsequent to balance sheet date — interest in option on mining claims

By an agreement dated August 2, 1967, the company and Silver-Miller Mines Limited acquired an option to purchase 16 unpatented mining claims in Rouyn Township, Province of Quebec. New Davies and Silver-Miller each have a 50% interest in this agreement.

Subsequent to the balance sheet date, a total of \$5,000.00 has been paid to the optionor of which \$2,500.00 has been paid by New Davies. To fully exercise the option a further \$15,000.00 is payable to the optionor (\$7,500.00 by New Davies and \$7,500.00 by Silver-Miller) as follows:

\$5,000.00 by November 10, 1967.
 \$5,000.00 by February 10, 1968.
 \$5,000.00 by May 10, 1968

If the option is fully exercised the optionor retains a 2½% royalty of net smelter returns.

Fisher, Nisker & Company

CHARTERED ACCOUNTANTS

62 RICHMOND ST. WEST

TORONTO, ONTARIO

AUDITORS' REPORT

To the Shareholders of
New Davies Petroleums Limited

We have examined the balance sheet of New Davies Petroleums Limited as at June 30, 1967 and the statements of operations and deficit, deferred mine exploration expenditures, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As stated in Note 3, provision has not been made for depletion, amortization and depreciation because the necessary information to determine the amount to be provided for is not available.

Subject to the foregoing qualification on the omission of provision for depletion, amortization and depreciation and its effect on the statement of operations and deficit, we report that, in our opinion these financial statements present fairly the financial position of the company as at June 30, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FISHER, NISKER & COMPANY,
Chartered Accountants.

Toronto, Ontario,
October 25, 1967.

